



Stephanie Rawlings-Blake
Mayor

PLANNING COMMISSION

Wilbur E. "Bill" Cunningham, Chairman

STAFF REPORT



Thomas J. Stosur
Director

May 27, 2010

REQUEST: City Council Bill #10-0484/Downtown Management District – Adjustment to Supplemental Tax

RECOMMENDATION: Amend and approve.

STAFF: Natasha Becker

PETITIONER(S): The Downtown Partnership of Baltimore

OWNERS: Multiple

SITE/GENERAL AREA

General Area: The Downtown Management District is bounded roughly by Martin Luther King, Jr. Boulevard and Center Street to the north, Conway Street and the Inner Harbor to the south, I-83 and Park Avenue to the east, and Greene and Eutaw Streets to the west. The district encompasses Baltimore's Central Business District, the Westside, and portions of Mount Vernon and the Inner Harbor. The current boundary comprises a roughly 106-block area. Highlights include Lexington Market, Antique Row, the Baltimore Convention Center, and First Mariner Arena, among many others.

CONFORMITY TO PLANS

The continued operation of the Downtown Management District is in conformance with Baltimore City's Comprehensive Master Plan, specifically:

- LIVE Goal 1, Objective 3: Maintain and create safe, clean, and healthy neighborhoods.
- LIVE Goal 1, Objective 5: Increase the City's population by 10,000 households in six years.
- LIVE Goal 2: Elevate the design and quality of the City's built environment.
- LIVE Goal 3: Improve transportation access, accessibility, and choice for City residents.
- EARN Goal 1: Strengthen identified growth sectors.
- EARN Goal 3: Improve access to jobs and transportation linkages between businesses.
- PLAY Goal 1: Enhance the enjoyment, appreciation, and stewardship of Baltimore's historical and cultural resources.
- PLAY Goal 2: Improve nightlife, entertainment, and recreation experiences for residents and visitors.

HISTORY

- Ordinance No. 92-057 established the Downtown Management District and is now codified as City Code Article 14, Subtitle 1. The District must be reauthorized every five years.
- Ordinance No. 09-191, approved June 23, 2009, was the most recent amendment to the Downtown Management District and authorized an expansion of its boundaries.

ANALYSIS

The Downtown Management District is one of four special benefits districts in Baltimore City and has been in existence since 1992. (Charles Village Community Benefits District, Midtown Community Benefits District, and the Waterfront Management District are the others). The Downtown Management District, which encompasses an approximately 106-block area, is managed by the Downtown Partnership of Baltimore (DPoB), which provides key supplemental services to members, among them:

- Stepped-up sanitation and public safety efforts
- Open space beautification and maintenance
- Façade improvement initiatives
- Pursuing landmark designation for local buildings
- Business retention and expansion efforts
- Tracking Downtown's economic progress
- Engaging in legislative advocacy efforts

Commercial property owners in the District fund these services through an annual surcharge of 14.39 cents per \$100 of assessed property value. While this is not the only source of funding the DPoB receives, it is by far the largest. With recent declines in property values, DPoB projects an annual revenue decrease of nearly \$400,000 because of property tax reductions – affecting capital projects as well as their ability to maintain basic operating funds.

Based on this, the DPoB (with approval from its Board of Directors) is seeking a number of key amendments to their enabling legislation, which exists in City Code Article 14, Subtitle 1. Generally, the proposed bill gives the District more flexibility in setting the amount of its surcharge rate, similar to the powers already available to other districts in the City. It also seeks to amend borrowing restrictions governing the district, allowing it to borrow funds for capital projects.

The specific provisions of City Council Bill #10-0484 are as follows:

- Deletes a provision in City Code that the district cannot borrow funds for a term beyond the date for renewal of the District (which is every five years).
- Deletes current provisions relating to the supplemental tax rate and creates a new requirement that the rate must simply be set each year by the Board as part of its annual financial plan. If a rate increase of 10% or more is proposed, 80% or more of the property-owner representatives of the board must approve, otherwise it's just a simple majority of the voting members. (The current surcharge rate is 14.39 cents per every \$100 of assessed value for commercial property owners, and DPoB's Board of Directors has proposed a rate increase of seven cents to the City's Board of Estimates for the fiscal year beginning on July 1, 2010).

- Revises the maximum aggregate amount of long-term debt outstanding at any one time from \$2 million to \$20 million.
- Adds a provision that if a terminating event occurs, namely a failure to reauthorize the District at the five year renewal period, assessment and collection of the supplemental tax may be continued in order to service any long-term debt still held.

PROPOSED AMENDMENTS

The Department of Planning fully supports the Downtown Partnership of Baltimore in its mission to deliver key supplemental services that make the District a vibrant and attractive community for businesses, property owners, residences, employees, and visitors alike. Since introduction of the bill, however, staff has been made aware of a fundamental objection held by the City's Department of Finance. The concerns center on the increased borrowing capacity of the District and the length of time a surcharge would have to remain in effect on property owners to repay such a debt, in the event that a terminating event occurs. The Downtown Partnership of Baltimore has expressed a willingness to revise their request and will only pursue a change to their surcharge rate at this time. However, it is likely that DPoB will seek changes to its state enabling legislation by going to the General Assembly next session. After amendment at the state level, DPoB will seek to amend its City legislation again in the future.

As such, all language in the bill pertaining to long term debt, increased borrowing capacity, and repayment will be removed. The following are the technical amendments needed to implement this change to City Council Bill #10-0484:

- **On page 2, delete §1-1(h).** Subsection (h) seeks to modify the definition of long term debt, which is no longer being pursued by DPoB at this time.
- **On page 3, delete §1-5(6).** Because DPoB no longer wishes to have the power to borrow funds for a term beyond the date for renewal of the District, this text amendment is not needed.
- **On page 3, delete §1-6(10).** Again, DPoB no longer wishes to have the power to borrow funds for a term beyond the date for renewal of the District, so exception language is not needed.
- **On page 5, delete §1-16 in its entirety.** Subsection (a) pertains generally to long-term debt, and (b) establishes the maximum amount. Subsection (g) speaks to repayment after a terminating event. These changes are no longer being pursued by DPoB at this time. Because Subsections (c) through (f) are included for reference only but do not propose any new matter added or deleted from existing law, the entire section can be deleted.
- **On page 7, delete §1-20 in its entirety.** Subsection (c) (3) states that the supplemental tax will continue to be assessed until debt is repaid, even after a terminating event. Because this is no longer being pursued by this time, and because the other subsections are included for reference only but do not propose any new matter added or deleted from existing law, the entire section can be deleted.

In advance of a hearing on this matter, staff notified the following community groups: The Central Business District Coalition, Charles Street Development Corporation, Market Center Merchants Association, and Westside Renaissance. In addition, the Downtown Partnership of Baltimore previously notified all property owners in the district of the proposed changes via mail on March 31, 2010.

Thomas J. Stosur
Director